

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 IO-13 PM-05  
DODE-00 IGA-02 CIAE-00 INR-07 NSAE-00 NEAE-00  
/085 W

-----000065 311605Z /45

P 311427Z AUG 77  
FM AMEMBASSY TEL AVIV  
TO SECSTATE WASHDC PRIORITY 8035

CONFIDENTIAL TEL AVIV 6512

PASS TREASURY

E.O.11652: GDS  
TAGS: EAID, IS, OVIP (BLUMENTHAL, W. MICHAEL)  
SUBJ: FINANCE MINISTER'S COMMENTS ON FY 1979 ISRAELI  
AID REQUEST

1. THE AMBASSADOR, ACCOMPANIED BY E/C COUSELOR, CALLED  
ON MINFINANCE SIMCHA EHRLICH AND HIS SENIOR STAFF ON  
AUGUST 30. THE SUBSTANTIVE DISCUSSION CENTERED ON  
EHRLICH'S UPCOMING TRIP TO THE U.S. HE MADE THE FOLLOWING POINTS:  
-- HIS PRIMARY CONCERN WHILE IN WASHINGTON FOR THE IMF/IBRD MEETINGS  
IN LATE SEPTEMBER WILL BE TO DISCUSS FY 1979 ASSISTANCE LEVELS  
WITH U.S. OFFICIALS. THE ISRAELI EMBASSY HAS BEEN ASKED TO SET UP  
A SERIES OF HIGH-LEVEL APPOINTMENTS. IN ADDITION, E/C COUNSELOR  
RAFF IS ARRANGING AN INTER-AGENCY MEETING AT A LOWER LEVEL TO  
HEAR THE ISRAELI PRESENTATION OF ITS AID REQUEST.  
-- THE GOI EXPECTS TO SUBMIT ITS PRELIMINARY ECONOMIC ASSESSMENT  
TO WASHINGTON AND EMBASSY TEL AVIV IN MID-SEPTEMBER.  
-- THE FINANCE MINISTRY IS OPERATING IN THE ASSUMPTION THAT THE  
CABINET WILL APPROVE A FY1978 (APRIL 78-MARCH 79) BUDGET WITH NO  
REAL INCREASE IN EXPENDITURES AND THAT THE INFLATION RATE WILL BE  
APPROXIMATELY 20 PERCENT.

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2. EHRLICH EXPRESSED PARTICULAR INTEREST IN THE PROSPECTS FOR THE  
FY79 MILITARY AID LEVEL. IN RESPONSE TO HIS QUESTION, THE AMB-  
ASSADOR GAVE A PERSONAL OPINION THAT CHANCES FOR AN INCREASE OVER  
THE PRESENT FIGURE OF \$1 BILLION ARE NOT GOOD. THE AMBASSADOR SUG-  
GESTED THAT THE U.S. REACTION TO THE OVERALL ISRAELI AID REQUEST  
LEVEL IN THE PRELIMINARY STAGES WOULD DEPEND LARGELY ON HOW CONVIN-  
CING AN ECONOMIC CASE THE GOI MAKES.

3. ON A DIFFERENT SUBJECT, EHRLICH REVEALED THAT THE GOI HAD OFFICIALLY CHOSEN ZVI DINSTEIN TO REPLACE ZEV SHER AS ECONOMIC MINISTER TO THE U.S. DINSTEIN IS EXPECTED TO BE IN THE U.S. FOR ONE WEEK IN SEPTEMBER BUT WILL RETURN TO ISRAEL BEFORE ASSUMING DUTIES PERMANENTLY IN OCTOBER. WE WILL PROVIDE BIODATA ON DINSTEIN IN A SEPARATE MESSAGE.

4. COMMENT: EHRLICH SEEMS TO UNDERSTAND ENGLISH FAIRLY WELL BUT HE CHOOSES TO USE ONLY HEBREW FOR ANYTHING MORE THAN SOCIAL EXCHANGES. HIS FAITH IN THE ABILITY OF THE PRIVATE SECTOR TO DO A BETTER JOB SOLVING ISRAEL'S ECONOMIC PROBLEMS IS DEEPLY HELD, BUT HE GAVE NO INDICATION THAT HE EXPECTS OVERNIGHT MIRACLES. HIS APPROACH TO INTERNATIONAL RELATIONS REFLECTED HIS CONVICTION THAT THE U.S., ISRAEL AND THE OTHER DEMOCRATIC COUNTRIES SHOULD FORM A CLOSE POLITICAL CLUB WHICH WOULD EXCLUDE NON-DEMOCRATIC STATES -- A BRAND OF POLITICAL FUNDAMENTALISM NOT UNCOMMON HERE.  
LEWIS

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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